

2010-3326  
226019

ORIGINAL

SERVICE AGREEMENT

This Copy to be returned for  
files of S. C. Electric & Gas Company

This Agreement made and entered into this 12 day of DECEMBER, 1996, by and between SOUTH CAROLINA ELECTRIC AND GAS COMPANY, its successors and assigns, hereinafter called "Seller" and METOKOTE CORPORATION, its successors and assigns, hereinafter called "Buyer".

WITNESSETH

WHEREAS, Seller owns and operates a natural gas system in the State of South Carolina which supplies natural gas for certain industrial operations under specific contracts with industrial customers, and

WHEREAS, Seller purchases natural gas for Seller's system supply from its supplier, South Carolina Pipeline Corporation, ("SCPC"), and

WHEREAS, Seller supplies natural gas to Buyer under the terms of a Service Agreement between Buyer and Seller, dated January 22, 1992 and as amended on December 12, 1994, which is hereby being terminated at 8:00 A.M. Eastern Time on February 1, 1997, and

WHEREAS, Seller and Buyer are negotiating certain other Agreements whereby Seller may accept, transport, and re-deliver Buyer's gas to Buyer, and

WHEREAS, Buyer has requested that Seller provide natural gas from Seller's system supply when not providing transportation services for Buyer, and

WHEREAS, Buyer has agreed to purchase natural gas from Seller according to the terms and conditions of this Service Agreement when natural gas is tendered by Seller whenever and to the extent Buyer has a requirement for fuel in Priority-of-Service Category 3D as set forth in Article III, Paragraph 1, of the General Terms and Conditions to Industrial Service Agreement hereto attached, for Buyer's facility located in Sumter, South Carolina.

NOW THEREFORE, in consideration of the covenants and agreements hereinafter set forth, to be kept and performed by the parties hereto, it is mutually agreed as follows:

1. SCOPE OF DELIVERY

INTERRUPTIBLE GAS, PRIORITY-OF-SERVICE CATEGORY 3D

Seller acknowledges that Buyer may utilize a source of gas other than system supply gas from Seller's sources. Buyer's gas may be transported to Buyer by Seller upon execution of a Transportation Agreement between Buyer and Seller. Natural gas is provided hereunder to satisfy Buyer's requirements when Seller is not providing transportation services.

Buyer agrees to purchase from <sup>250 DTH</sup> Seller, and Seller agrees to sell to Buyer, up to a Maximum Daily Quantity of ~~925~~ dekatherms of natural gas per day on an interruptible basis, to be purchased and utilized by Buyer when and to the extent Seller has gas available, tenders such gas to Buyer and Buyer has a requirement for fuel. Seller makes no guarantee of deliveries hereunder. Interruptible gas will be offered when, and to the extent, available in accordance with the operating procedures set forth in Article IV, Paragraph 4, of the General Terms and Conditions to Industrial Service Agreements hereto attached. Any gas taken by Buyer, including gas utilized as fuel for pilots, after any order of Seller calling for complete curtailment of Buyer's interruptible load, or any gas taken by Buyer in excess of a partial curtailment order, shall be Unauthorized Overrun Gas and shall subject Buyer to the penalty rate per dekatherm set forth in Article IV, Paragraph 6, of the General Terms and Conditions to Industrial Service Agreements hereto attached. Deliveries of Interruptible Gas under this paragraph of the Service Agreement shall be utilized by Buyer only in Priority-of-Service Category 3D as set forth in Article III, Paragraph 1, of the General Terms and Conditions hereto attached.

2. HOURLY DELIVERIES

Seller shall not be obligated to make hourly deliveries of gas pursuant to Paragraph 1 above at an hourly rate exceeding <sup>10 DTH</sup> ~~925~~ dekatherms per hour. Seller reserves the right to regulate the flow of gas delivered hereunder by means of automatic or manually operated flow control valves so as to limit the hourly flow of gas within the specified quantity.

3. POINT OF DELIVERY

The Point of Delivery for all gas delivered hereunder shall be at the outlet side of Seller's measuring and regulating equipment. The measuring equipment shall be installed on the Buyer's property at a location mutually agreed upon by Seller and Buyer. All gas shall be delivered at this location and it shall be the Buyer's responsibility to extend all fuel lines from this location to the point or points of usage.

4. DELIVERY PRESSURE

Seller agrees to use due care and diligence to furnish gas hereunder at such uniform pressure as Seller may elect up to, but not exceeding 15 pounds per square inch gauge, and not less than 5 pounds per square inch gauge, at the "Point of Delivery". Buyer shall be responsible for the installation and operation of adequate safety equipment downstream of the Point of Delivery so as to relieve or control pressure variations within the limits described above that may, for any reason through malfunction of Seller's equipment or otherwise, occur on Buyer's side of the "Delivery Point".

5. INITIAL SERVICE

Buyer agrees to begin purchasing natural gas under the terms and conditions of this Service Agreement at 8:00 A.M. Eastern Time on February 1, 1997, at which time the Service Agreement between Buyer and Seller dated January 22, 1992 and as amended on December 12, 1994, shall terminate.

6. TERM OF AGREEMENT

This Agreement shall become effective on February 1, 1997, and shall continue in full force and effect through January 31, 1998, and from month to month thereafter unless either party shall give written notice of intention to terminate at least thirty (30) days prior to the expiration of the original term or any one month extension thereof.

7. RATE

Buyer agrees to pay Seller each month for all gas delivered by Seller during the month at the Base Rate or the Competitive Fuel Rate, whichever shall be applicable.

Gas volumes will be corrected for BTU content, pressure, temperature, supercompressibility, specific gravity, and other factors where applicable.

(A) BASE RATE INTERRUPTIBLE GAS, PRIORITY-OF-SERVICE CATEGORY 3D

Each month, the Base Rate for daily volumes of Interruptible Gas delivered by Seller to Buyer in Priority-of-Service Category 3D shall be eighty-three cents \$(0.83) per dekatherm plus Seller's "Cost of Gas".

Seller's "Cost of Gas" shall be determined according to the method shown in Exhibit A attached hereto, as may be amended or superseded by the Public Service Commission of South Carolina, and is incorporated in and made a part of this Service Agreement.

In addition to the Base Rate, the amount of any new or additional taxes imposed directly on the purchase or sale of gas delivered hereunder shall be added.

(B) COMPETITIVE FUEL RATE

It is the intent of the Agreement that Buyer's cost of natural gas used in Priority-of-Service Category 3D shall be competitive with the as-fired cost of alternate fuel that Buyer could actually utilize in lieu of natural gas.

For the purpose of the computation to obtain the as-fired cost of the alternate fuel, it is understood and agreed that:

- (1) The Alternate Fuel is Propane utilized after being mixed with air.
- (2) The cost of the alternate fuel (identified as "K") shall include:
  - (a) The average posted price per gallon posted for Lexington, South Carolina, as published in the BUTANE-PROPANE NEWSLETTER on the third Monday of the current month, plus four cents (4.0¢), plus
  - (b) Two cents (2.0¢) per gallon for freight to Buyer's facility, plus
  - (c) Vaporization fuel cost of one cent (1.0¢) per gallon, plus
  - (d) Compressed air and plant operation of one-half cent (0.5¢) per gallon.
- (3) Propane shall be considered as having 91,600 BTU's per gallon or 0.0916 dekatherms per gallon, which is identified as "dt".
- (4) The following formula utilizes the above values and shall be used to calculate the as-fired cost of the alternate fuel (identified as "C"):

$$C = \frac{K}{dt}$$

Seller will monitor the changes in the average price of propane by reference to the BUTANE-PROPANE NEWSLETTER. Based on the average price of propane, Seller will calculate the as-fired cost using the procedure outlined above. Seller will advise Buyer, verbally or in writing, prior to the beginning of each billing period that Seller will:

- (1) Lower the price of natural gas to the as-fired cost of the alternate fuel and deliver gas, or
- (2) Notify Buyer of the price at which Seller will deliver gas in the event Seller elects not to lower the price to the as-fired cost of the alternate fuel.

In the event Seller elects to lower the price of gas to the as-fired cost of the alternate fuel, Buyer may not discontinue the purchase of natural gas hereunder. In the event Seller offers to deliver gas to Buyer at a price greater than of the as-fired cost of the alternate fuel, then Buyer may either accept delivery of natural gas at the price offered by Seller through a prompt verbal notice confirmed in writing or discontinue receiving gas for the next billing period. In no event will the cost of natural gas as determined by this paragraph, exceed the cost as determined under the Base Rate of this Service Agreement.

(C) COMPETITIVE FUEL RATE (GAS-TO-GAS)

- (1) Seller acknowledges that Buyer also has the capability to use transported gas to satisfy Buyer's requirements in Priority-of-Service Category 3D. Buyer and Seller hereby agree that Seller has the opportunity to bid a price to Buyer to displace Buyer's transported gas in accordance with the procedures of this Paragraph 7(C).
- (2) Seller agrees to provide Buyer with notice, verbally by telephone, or in writing, before the end of each calendar month of the price at which Seller is able to sell Interruptible gas to Buyer for the next ensuing calendar month to displace transportation gas.
- (3) Buyer agrees to respond to Seller, verbally by telephone, or in writing, prior to the beginning of the next ensuing calendar month, that Buyer accepts or rejects Seller's offer.
- (4) In the event Buyer accepts Seller's offer, Buyer may not discontinue the purchase of natural gas for Buyer's fuel requirements hereunder.
- (5) In the event Buyer rejects Seller's offer, and elects to transport Buyer's own gas, then Buyer shall have no obligation to purchase any gas from Seller's system supply.
- (6) In no event will the cost of natural gas as determined by this paragraph, exceed the cost as determined under the Base Rate of this Service Agreement.

8. STANDBY CHARGES

In consideration of Buyer's requirement for standby service for Buyer's requirements in Priority-of-Service Category 3D, Buyer agrees to pay Seller the sum of two hundred and fifty dollars (\$250.00) per month as a standby charge. This charge shall be in addition to any other monies charged for standby volumes delivered in Priority-of-Service Category 3D from Seller's system supply.

9. BILLING VOLUMES

For the purpose of billing, the parties agree that the first gas delivered through the Point of Delivery shall be the volumes transported for Buyer on a daily basis pursuant to the Transportation Agreement between the parties. All volumes in excess of the transported volumes will be considered as having been delivered pursuant to this Service Agreement.

10. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions to Industrial Service Agreements dated January 1, 1985, attached hereto and duly executed by both parties, are hereby incorporated in and made a part of this Service Agreement. Should there be any conflict between any portion of the General Terms and Conditions to Industrial Service Agreements and this Service Agreement, the parties agree that the Service Agreement shall prevail. The General Terms and Conditions to Industrial Service Agreements may be modified by mutual agreement of Buyer and Seller.

11. NOTICES

All correspondence required of Buyer and Seller under this Service Agreement is to be addressed as follows:

To Seller: South Carolina Electric and Gas Company  
Contract Administration, Mail Code J-53  
Columbia, South Carolina 29218-0764

To Buyer: Metokote Corporation  
2945 Southgate Road  
Sumter, South Carolina 29154  
and  
Metokote Corporation  
1340 Neubrecht Road  
Lima, Ohio 45801

IN WITNESS WHEREOF, this Service Agreement has been executed on the date first above written by the parties hereto by their officers or other representatives.

METOKOTE CORPORATION

Buyer

Alan A. Hall

By

Corp Utilities Mgr.

Title

Carole Cook

Witness

Date

12 Dec 1996

S. C. ELECTRIC AND GAS COMPANY

Seller

Geller Gassam

By

VICE PRESIDENT-GAS OPERATIONS

Title

Janet Rhodes

Witness

Date

1/15/97

SDS  
1/10/97

## EXHIBIT A

### SOUTH CAROLINA ELECTRIC AND GAS COMPANY

#### GAS COST CALCULATION

##### APPLICABILITY

This calculation is applicable to and is a part of the Seller's Service Agreement for interruptible gas deliveries.

##### COST OF GAS

The cost of gas per dekatherm for the current month shall be determined (to the nearest thousandth of a cent) by the use of the equation below:

$$\text{Cost of Gas} = \frac{(P - D)}{S} \times T$$

Where:

- P = Total cost of natural gas (processed or unprocessed) vaporized liquid natural gas, synthetic gas, propane-air mixture, landfill gas, or other source of methane gas or any mixture of these gases entering the Seller's system during the current month in dollars.
- D = The cost of gas attributable to all sales made by Seller to Buyers under an interruptible rate or contract where the Buyer has alternative fuel capability and has certified to the Seller the as-fired price of its alternative fuel such that Seller could not supply gas at a price that is competitive and service is provided by Seller under the competitive pricing provisions of the rate or contract.
- S = Total gas entering the Seller's system during the current billing month excluding gas sold under D above times the annual sales factor which will be determined by dividing total annual sales recorded in Accounts 480 through 483 plus distribution gas used in electric generation by the total annual gas entering the Seller's system. The annual sales factor shall be computed for the twelve months ending each March and applied beginning with the first billing cycle of the following May each year.
- T = Adjustment for revenue related Taxes plus one (1)

**NOTES:** (1) The amounts calculated in the formula above shall include any applicable credit or debit adjustment reflecting corrections to a prior month's Gas Cost calculation.

ORIGINAL

TRANSPORTATION AGREEMENT

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File of S. C. Electric & Gas Co. 1997

This Agreement made and entered into this 12 day of December, 1996, by and between SOUTH CAROLINA ELECTRIC AND GAS COMPANY, its successors and assigns, hereinafter called "Seller" and METOKOTE CORPORATION, its successors and assigns, hereinafter called "Buyer".

WITNESSETH

WHEREAS, Seller owns and operates a natural gas distribution system in South Carolina and supplies natural gas to Buyer, and

WHEREAS, Seller owns facilities to accept natural gas delivered into South Carolina from South Carolina Pipeline Corporation ("SCPC"), and

WHEREAS, Buyer, or Buyer's Agent, has entered into an agreement, or agreements, with South Carolina Pipeline Corporation, for the delivery of natural gas owned by Buyer to Seller's facilities in South Carolina, and

WHEREAS, Seller provides transportation service to Buyer under the terms of a Transportation Agreement dated January 22, 1992, which is hereby being terminated at 8:00 A.M. Eastern Time on February 1, 1997, and

WHEREAS, Buyer has requested that Seller transport certain volumes of natural gas belonging to Buyer through Seller's facilities and deliver said volumes of gas to Buyer.

NOW THEREFORE, in consideration of the foregoing and the covenants and agreements hereinafter set forth to be kept by the parties hereto, it is mutually agreed as follows:

1. SCOPE OF DELIVERY

Seller agrees to accept deliveries of natural gas belonging to Buyer at Seller's delivery point from SCPC located near Sumter, South Carolina, and to transport Buyer's gas and redeliver to Buyer. Service provided hereunder is in lieu of natural gas provided from Seller's system supply to satisfy Buyer's fuel requirements in Priority-of-Service Category 3D. Buyer agrees that the transportation service is provided on an interruptible basis. Interruptions of transportation service shall be at the sole discretion of Seller or whenever service is interrupted by SCPC or any other transporting pipeline.

2. DAILY DELIVERIES

Seller agrees to accept and transport up to ~~250~~ <sup>250 074</sup> dekatherms, excluding shrinkage volumes, of natural gas on a daily basis. Buyer will notify Seller, in writing, of Buyer's



intent to transport on Seller's Form CA1, at least five (5) working days prior to the beginning of any month and will provide the estimated volumes of gas, in dekatherms, to be transported on a daily basis during the calendar month.

Buyer has the right to change the volume to be transported during the month on a daily basis. It is Buyer's responsibility to notify producers, Seller, and connecting pipelines regarding any change in transportation volumes. Seller will accept changes in daily volumes dispatched from SCPC; however, Seller reserves the right to limit or restrict the volumes accepted and transported at any time, whenever, in Seller's sole opinion, operating conditions warrant a limitation or restriction on the acceptance or delivery of transportation gas. Limitations or restrictions may be because of, but not limited to, the utilization of deliverability capacity by Seller for Seller's system supply requirements.

### 3. INITIAL SERVICE

Seller agrees to begin transporting gas for Buyer at 8:00 A.M. Eastern Time on February 1, 1997, at which time the Transportation Agreement between Buyer and Seller dated January 22, 1992, shall terminate.

### 4. TERM OF AGREEMENT

This Agreement shall become effective on February 1, 1997, and shall continue in full force and effect through January 31, 2000, and thereafter from month to month thereafter unless either party shall give written notice of intention to terminate at least thirty (30) days prior to expiration of the original term or any one month extension thereof.

### 5. RATE

Each month, beginning February 1, 1997 through January 31, 1998, the rate for daily volumes transported for and delivered to Buyer shall be sixty-three cents (\$0.63) per dekatherm.

Each month, beginning February 1, 1998 through January 31, 1999, the rate for daily volumes transported for and delivered to Buyer shall be seventy-three cents (\$0.73) per dekatherm.

Each month, beginning February 1, 1999, the rate for daily volumes transported for and delivered to Buyer shall be eighty-three cents (\$0.83) per dekatherm.

### 6. SHRINKAGE

Seller will retain 3% of all volumes delivered to Seller on Buyer's behalf for shrinkage and line losses. The volumes retained by Seller will not create or contribute to an

imbalance. Seller reserves the right to adjust the shrinkage factor, up or down, to account for actual line losses. Seller agrees to give Buyer thirty (30) days written notice of any adjustment.

7. BALANCING OF VOLUMES

The volume of gas received on a daily basis for Buyer's account may not equal the volume, less shrinkage, delivered to the Buyer. The result will be deemed an imbalance. Buyer's account will be reviewed at the end of each month, or on termination of Transportation Service, or curtailment or discontinuance thereof. If the net imbalance is such that the Buyer has received more gas than was delivered to the Seller during the period under review, Buyer shall be billed for such excess at the Base Rate as specified in the Service Agreement which provides for standby service. If the net imbalance is such that the Buyer has received less gas than was delivered to the Seller, the Seller will buy excess gas at Seller's lowest delivered purchase price in that month from any of Seller's suppliers.

Daily volumes transported by Seller shall not exceed the Contract Maximum Daily Quantity specified in Paragraph 2, DAILY DELIVERIES. In the event a daily volume is delivered by South Carolina Pipeline Corporation which exceeds the Contract Maximum Daily Quantity, the excess daily volumes will be purchased by Seller at Seller's lowest delivered price from any of Seller's suppliers.

8. POSSESSION OF GAS

After Buyer delivers gas or causes gas to be delivered to Seller at the point(s) of receipt hereunder, Seller shall be deemed to be in control and possession of the gas until it is redelivered to Buyer at the point of delivery. Buyer shall have no responsibility with respect to any gas deliverable by Seller or on account of anything which may be done, happen or arise, with respect to such gas until Seller delivers such gas to Buyer or for the account of Buyer. Seller shall have no responsibility with respect to such gas before Buyer delivers such gas to Seller or after Seller redelivers such gas to Buyer or on account of anything which may be done, happen or arise with respect to such gas before such delivery or after such redelivery.

9. WARRANTY OF TITLE TO GAS

The Buyer warrants for itself, its successors and assigns, that it will at the time of delivery to Seller for transportation have good and merchantable title to all gas so delivered free and clear of all liens, encumbrances and claims whatsoever. Buyer will indemnify Seller and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to said gas, including claims for any royalties, taxes, license fees or charges applicable to such gas or to the delivery thereof to Seller for transportation.

10. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions to Industrial Service Agreements dated January 1, 1985, are hereby incorporated in and made a part of this Transportation Agreement. Should there be any conflict between any portion of the General Terms and Conditions to Industrial Service Agreements and this Transportation Agreement, the parties agree that the provisions of the Transportation Agreement shall prevail.

11. NOTICES

All correspondence required under this Transportation Agreement is to be addressed as follows:

To Seller:           South Carolina Electric and Gas Company  
Contract Administration, Mail Code J-53  
Columbia, SC 29218-0764

To Buyer:           Metokote Corporation  
2945 Southgate Road  
Sumter, South Carolina 29154  
and  
Metokote Corporation  
1340 Neubrecht Road  
Lima, Ohio 45801

12. SPECIAL PROVISIONS

- (a) The Buyer bears sole responsibility for costs incurred to deliver transportation gas to Seller.
- (b) Buyer shall be required to reimburse Seller for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Transportation Agreement. Any required expenses will be subject to Buyer's prior approval.
- (c) Seller retains sole discretion as to whether or not a particular Buyer or particular Buyers shall receive service pursuant to Transportation Agreement.

### 13. CURTAILMENT OF TRANSPORTATION SERVICE

- (a) Transportation service may be curtailed or discontinued at the sole option of Seller after not less than two (2) hours advance notice by telephone or otherwise. However, the Buyer shall continue to hold title to any gas (less shrinkage) received by Seller and not delivered prior to such curtailment or discontinuance. Seller will notify Buyer when conditions permit Seller to resume transportation service.
- (b) Transportation service may also be curtailed or discontinued by some party other than Seller (e.g., producer, Southern Natural, Transco, or SCPC). Seller has no responsibility to notify Buyer of curtailment by any third party.
- (c) When deliveries of gas to Seller on behalf of Buyer are curtailed or discontinued, Buyer will automatically begin receiving standby service from Seller's system supply in accordance with the Service Agreement which provides for standby service. Buyer will be placed on standby service at the effective time of curtailment provided to Seller by the third party.

### 14. PRIORITY AND ALLOCATION OF TRANSPORTATION SERVICE

It is acknowledged by Buyer that other end-users of natural gas may from time to time contract with Seller for the transportation of natural gas owned by them. In the event that available capacity or operating conditions exist which limit the acceptance by Seller of natural gas to an amount that is less than the aggregate volume of all such natural gas tendered for transportation and redelivery by any or all end-users that have contracted with Seller for transportation service, the following priorities and allocations shall apply:

- (a) All natural gas purchased by Seller for its system supply or otherwise owned by Seller shall have the highest priority of acceptance into Seller's system and the highest priority of delivery throughout Seller's system.
- (b) The priority of acceptance of natural gas owned by end-users, whoever they may be from time to time, and tendered to Seller's system for redelivery thereof shall be based upon the category of service, pursuant to the General Terms and Conditions to Industrial Service Agreements attached hereto, for which Seller has agreed to provide standby service associated with a Transportation Agreement with any such end-user. Higher priorities of standby service pursuant to individual agreements between Seller and end-users shall determine the priority of acceptability and redeliverability of natural gas tendered to Seller for transportation in accordance with the priority categories in the Curtailment Plan. If any Transportation Agreement between Seller and an end-user does not contain a provision for standby service and a specified category of service with

respect to said standby service provision, then the acceptability and redeliverability of any natural gas tendered by such end-user to Seller shall have the lowest priority of acceptability and redeliverability.

- (c) In the event that the total volume of natural gas tendered to Seller for acceptance and redelivery relative to a single category of standby service is greater than the capacity determined by Seller to be available for acceptance and redelivery of natural gas in said category of standby service, then acceptance and redelivery of such tendered gas shall be allocated pro rata based upon the contract volumes in all agreements for transportation service containing said category of standby service on the Seller's system.

The determination of the existence of limitations on capacity or operating conditions which limit the acceptability or deliverability of natural gas tendered to Pipeline for transportation shall be at the sole discretion and judgement of Seller.

IN WITNESS WHEREOF, this Transportation Agreement has been executed on the date first above written by the parties hereto by their officers or other authorized representatives.

METOKOTE CORPORATION

Buyer

By

Title

Witness

12 Dec 1996

Date

S. C. ELECTRIC AND GAS COMPANY

Seller

By

VICE PRESIDENT-GAS OPERATIONS

Title

Witness

1/15/97

Date

TRANS

